

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 COME-00

IO-10 OIC-02 EUR-12 CIAE-00 DODE-00 PM-03 H-01 INR-05

L-02 NSAE-00 PA-01 PRS-01 USIA-06 /093 W

----- 112029

R 190903Z DEC 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6846

INFO AMEMBASSY JAKARTA

AMEMBASSY PHNOM PENH

C O N F I D E N T I A L TOKYO 16544

E.O. 11652: GDS

TAGS: EAID, JA, CB

SUBJECT: EXCHANGE SUPPORT FUND (ESF) - CAMBODIA

REF: TOKYO 15863 (NOTAL)

SUMMARY: GOJ WILL NEGOTIATE BILATERAL ESF EXTENSION WITH GKR AND, HOPEFULLY, EXCHANGE LETTERS OF EXTENSION DEC. 26. GOJ CANNOT MAKE FORMAL PLEDGE UNTIL BUDGET PASSES DIET IN MARCH. IT IS VERY DIFFICULT, IF NOT IMPOSSIBLE, FOR GOJ TO INCREASE ESF CONTRIBUTION ABOVE 7 MILLION DOLLARS LEVEL. GOJ HOPES FOR MEANINGFUL PROGRESS TOWARDS NEGOTIATED SETTLEMENT IN 1975. END SUMMARY.

1. ON DECEMBER 18 EMBOFFS MET WITH HANABUSA, DIRECTOR, AND KAZUHARA, DEPUTY DIRECTOR, FIRST SOUTHEAST ASIA DIVISION, FONOFF, TO REVIEW RESULTS OF RECENT ESF DONORS' MEETING AND AGAIN REQUEST INCREASED GOJ CONTRIBUTION. HANABUSA MADE FOLLOWING POINTS:

2. GOJ WAS DISAPPOINTED THAT NO PLEDGES TO ESF OTHER THAN THAT OF USG WERE MADE DURING DONORS' MEETING. IN PAR-
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TICULAR, GOJ WAS DISAPPOINTED THAT INDONESIA DID NOT MAKE

PLEDGE; TOKEN CONTRIBUTION, SIMILAR TO THAT OF MALAYSIA, WOULD HAVE BEEN FEASIBLE. INDONESIA'S CONCERN OVER EFFECT OF CONTRIBUTION ON ITS ABILITY TO OBTAIN AID IN FUTURE WAS UNWARRANTED SINCE IT WILL BE VERY DIFFICULT FOR INDONESIA TO JUSTIFY AID RECEIPT NEXT YEAR UNDER ANY CIRCUMSTANCES. IT IS HIGHLY UNLIKELY INDONESIA WILL CHANGE ITS MIND. PHILIPPINE POSITION DIRECTLY TIED TO THAT OF INDONESIA, I.E. IT WILL CONTRIBUTE ONLY IF INDONESIA DOES SO.

3. FONOFF HAS INSTRUCTED GOJ EMBASSY PHNOM PENH TO NEGOTIATE EXTENSION OF JAPAN'S PARTICIPATION IN ESF WITH GKR; IT ANTICIPATES THAT LETTERS TO THIS EFFECT WILL BE EXCHANGED DECEMBER 26. WHEN GOJ DRAFT BUDGET IS PREPARED (HOPEFULLY IN EARLY JANUARY), FONOFF WILL BE REASONABLY SURE THAT FUNDS FOR ESF CONTRIBUTION (7 MILLION DOLLARS) WILL ACTUALLY BE APPROPRIATED, BUT, EVEN SO, WILL NOT BE ABLE TO ADVISE GKR OF CONTRIBUTION UNTIL BUDGET PASSES DIET, PROBABLY IN MARCH.

4. IT WILL BE QTE EXTREMELY DIFFICULT, IF NOT IMPOSSIBLE UNQTE FOR GOJ TO INCREASE EFS CONTRIBUTION. THIS IS PARTICULARLY SO UNDER SITUATION OF OTHER COUNTRIES NOT INCREASING THEIR CONTRIBUTIONS, USG INSISTENCE ON MATCHING FORMULA, AND NEW ZEALAND'S WITHDRAWAL FROM ESF. INDEED, GOJ IS CONCERNED THAT IF GKR DOES NOT CONTRIBUTE TO ESF, USG'S MATCHING CONTRIBUTION MIGHT ACTUALLY DECREASE IN 1975 COMPARED TO 1974. GOJ IS NOT OPTIMISTIC THAT ESF CONTRIBUTIONS WILL REACH \$40 MILLION GOAL IN 1975, BUT INCREASED USG PL 480 OR CIP AID COULD HELP COMPENSATE FOR SHORTFALL.

5. GOJ HAS SUPPORTED GKR POLITICALLY, BUT ECONOMIC AID IS CLOSELY RELATED TO POLITICAL SITUATION. THERE SHOULD BE MEANINGFUL PROGRESS TOWARDS NEGOTIATED SETTLEMENT DURING 1975. IF THERE IS NO PROGRESS, POSITION OF GKR AND FRIENDS AT UN WILL BE ERODED NEXT YEAR. WHAT SHOULD BE DONE AS SOON AS POSSIBLE IS THAT ALTERNATIVES TO CONTINUED FIGHTING, AND WHAT OTHER SIDE MIGHT ACCOMPLISH THROUGH NEGOTIATIONS, SHOULD BE MADE CLEAR TO OTHER SIDE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL CONTRIBUTIONS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TOKYO16544
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740369-0432
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741221/aaaaarmq.tel
Line Count: 107
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 74 TOKYO 15863
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 29 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 JUL 2002 by kelleyw0>; APPROVED <26 MAR 2003 by ElyME>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXCHANGE SUPPORT FUND (ESF) - CAMBODIA
TAGS: EAID, JA, CB, ESF
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005